

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type				Local Unit Name		County	
<input type="checkbox"/> County	<input type="checkbox"/> City	<input type="checkbox"/> Twp	<input type="checkbox"/> Village	<input checked="" type="checkbox"/> Other	Port Hope-Gore-Rubicon Utility Authority	Huron	
Fiscal Year End		Opinion Date		Date Audit Report Submitted to State			
3/31/07		6/22/07		6/22/07			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

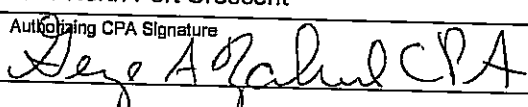
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10  
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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>		
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name)		Telephone Number		
George A. Zahul CPA PC		989-269-9966		
Street Address		City	State	Zip
101 North Port Crescent		Bad Axe	MI	48413
Authorizing CPA Signature		Printed Name		License Number
		George A. Zahul CPA PC		1101013362

**Port Hope-Gore-Rubicon Utility Authority  
Port Hope, MI**

**Huron County**

**FINANCIAL REPORT  
March 31, 2007**

# Port Hope-Gore-Rubicon Utility Authority

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**George Zahul, CPA, PC**  
**101 N Port Crescent St**  
**Bad Axe, MI 48413**  
**989-269-9966**

**Independent Auditor's Report**

To the Authority Members  
Port Hope-Gore-Rubicon Utility Authority  
Port Hope, MI 48468

I have audited the accompanying general purpose financial statements of the governmental activities, the business-type activities, the aggregated discretely presented component units, each major fund, and the aggregate remaining fund information of the Port Hope-Gore-Rubicon Utility Authority as of and for the year ended March 31, 2007, which collectively comprise the basic financial statements of the Port Hope-Gore-Rubicon Utility Authority management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

Management has not prepared their discussion and analysis information for the Port Hope-Gore-Rubicon Utility Authority. This discussion is required by U.S. generally accepted accounting principles as supplemental information.

In my opinion, except for the omission of management's discussion and analysis as discussed in the previous paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Port Hope-Gore-Rubicon Utility Authority as of March 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 22, 2007, on my consideration of the Port Hope-Gore-Rubicon Utility Authority internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Management has elected to omit the management's discussion and analysis and budgetary comparison information which are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Port Hope-Gore-Rubicon Utility Authority basic financial statements. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.

*George Zahul, CPA, PC*

George Zahul, CPA, PC

June 22, 2007

**George Zahul, CPA, PC**  
**101 N Port Crescent St**  
**Bad Axe, MI 48413**  
**989-269-9966**

**Report on Compliance and on Internal Control Over Financial  
Reporting Based on an Audit of Financial Statements Performed  
in Accordance with Government Auditing Standards**

To the Authority Members  
Port Hope-Gore-Rubicon Utility Authority  
Port Hope, MI 48468

I have audited the financial statements of the governmental activities, the business-type activities, the aggregated discretely presented component units, each major fund, and the aggregate remaining fund information of Port Hope-Gore-Rubicon Utility Authority as of and for the year ended March 31, 2007, which collectively comprise Port Hope-Gore-Rubicon Utility Authority basic financial statements and have issued my report thereon dated June 22, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

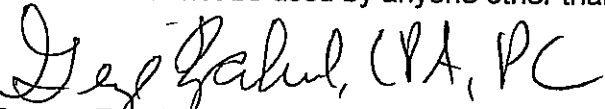
**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the Port Hope-Gore-Rubicon Utility Authority internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

**Compliance**

As part of obtaining reasonable assurance about whether Port Hope-Gore-Rubicon Utility Authority financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, the State of Michigan, and the United States Department of Agriculture Rural Development and is not intended to be and should not be used by anyone other than those specified parties.

  
George Zahul, CPA, PC  
June 22, 2007

**Port Hope-Gore-Rubicon Utility Authority**  
**Business-Type Activities**  
**Statement of Net Assets**

**ASSETS**

	<u>March 31, 2007</u>	<u>March 31, 2006</u>
<b>CURRENT ASSETS</b>		
Cash Checking	\$ 152,448.72	\$ 108,983.38
CD J Fund	153,380.99	146,212.97
Accounts Receivable	69,339.59	63,417.19
Prepaid Insurance	<u>2,957.32</u>	<u>2,957.32</u>
<b>Total Current Assets</b>	<u>378,126.62</u>	<u>321,570.86</u>
<b>PROPERTY AND EQUIPMENT</b>		
Water System	\$ 4,249,733.05	\$ 4,249,733.05
Water Tower	295,482.18	295,482.18
Meters	63,705.25	63,705.25
Office Equipment	10,945.00	10,945.00
Less - Accumulated Depreciation	<u>(1,365,678.00)</u>	<u>(1,251,156.00)</u>
<b>Net Property and Equipment</b>	<u>3,254,187.48</u>	<u>3,368,709.48</u>
<b>OTHER ASSETS</b>		
CD Signature	99,287.80	95,543.76
Unamortized Bond Issue Costs	<u>23,223.58</u>	<u>24,083.71</u>
<b>Total Other Assets</b>	<u>122,511.38</u>	<u>119,627.47</u>
<b>TOTAL ASSETS</b>	<u>\$ 3,754,825.48</u>	<u>\$ 3,809,907.81</u>

The accompanying notes are an integral part of the financial statements.

**Port Hope-Gore-Rubicon Utility Authority**  
**Business-Type Activities**  
**Statement of Net Assets**

**LIABILITIES AND FUND EQUITY**

	<u>March 31, 2007</u>	<u>March 31, 2006</u>
<b>CURRENT LIABILITIES</b>		
Current Portion of Revenue Bonds Payable	30,000.00	30,000.00
Accounts Payable	22,991.07	18,592.64
Federal Withheld	1,363.57	859.65
Fica and Medicare Withheld	100.60	580.72
State Withheld	135.41	151.30
	<hr/>	<hr/>
<b>Total Current Liabilities</b>	<b>54,590.65</b>	<b>50,184.31</b>
<b>LONG-TERM LIABILITIES</b>		
Revenue Bonds Payable	1,128,000.00	1,146,000.00
Revenue Bonds Payable	348,000.00	354,000.00
Less - Current Portion of Revenue Bonds	(30,000.00)	(30,000.00)
	<hr/>	<hr/>
<b>Total Long-Term Liabilities</b>	<b>1,446,000.00</b>	<b>1,470,000.00</b>
	<hr/>	<hr/>
<b>Total Liabilities</b>	<b>1,500,590.65</b>	<b>1,520,184.31</b>
<b>FUND EQUITY</b>		
Contributed Capital Users	101,132.18	101,132.18
Contributed Capital Federal	1,927,488.88	2,001,632.88
Retained Earnings	225,613.77	186,958.44
	<hr/>	<hr/>
<b>TOTAL FUND EQUITY</b>	<b>2,254,234.83</b>	<b>2,289,723.50</b>
	<hr/>	<hr/>
<b>TOTAL NET ASSETS</b>	<b>\$ 2,254,234.83</b>	<b>\$ 2,289,723.50</b>
	<hr/>	<hr/>

The accompanying notes are an integral part of the financial statements.



**Port Hope-Gore-Rubicon Utility Authority**  
**Business-Type Activities**  
**Statement Of Revenues, Expenses, and Changes in Fund Net Assets**

**For the Years Ended**  
**March 31, 2007      March 31, 2006**

<b>REVENUES</b>		
Charges for Services	\$ 286,655.19	\$ 271,379.57
Hook-Up Fees Income	2,400.00	7,322.76
Water Fees-Huron Twp	0.00	4,586.65
Other Income	0.00	113.69
<b>Total Revenues</b>	<b>\$ 289,055.19</b>	<b>\$ 283,402.67</b>
<b>OPERATING EXPENSES</b>		
Bank Service Charge	0.00	28.00
Contractual Services	5,821.00	12,276.38
Depreciation Expense	114,522.00	114,581.00
Dues and Membership	1,674.65	1,520.41
Insurance	8,825.00	8,664.00
Legal and Professional	2,450.00	3,312.50
Miscellaneous	28.00	0.00
Office Supplies and Postage	1,140.45	1,062.62
Payroll Taxes	1,214.13	1,179.44
Printing	22.95	182.67
Rent Office and Meters	1,800.00	0.00
Repairs and Maintenance	1,254.22	3,083.35
Sewer Collections	65,326.73	59,328.30
Supplies	7,041.10	3,019.61
Utilities	336.70	224.72
Wages	15,871.00	15,417.00
Water Purchased	36,723.99	43,585.00
<b>Total Operating Expenses</b>	<b>264,051.92</b>	<b>267,465.00</b>
<b>OPERATING INCOME (LOSS)</b>	<b>25,003.27</b>	<b>15,937.67</b>
<b>OTHER INCOME (EXPENSE)</b>		
Interest Income	15,845.68	9,679.82
Amortization of Bond Cost	(860.13)	(860.13)
Interest Expense	(75,477.49)	(74,790.62)
<b>Total Other Income (Expense)</b>	<b>60,491.94</b>	<b>65,970.93</b>
<b>NET INCOME (LOSS)</b>	<b>(35,488.67)</b>	<b>(50,033.26)</b>
Add Depr on Fixed Assets Acquired With Grant		
Funds Which Reduce Contributed Capital	74,144.00	74,144.00
<b>INCREASE (DECREASE) IN RETAINED EARNINGS</b>	<b>38,655.33</b>	<b>24,110.74</b>
Add Depr on Fixed Assets Acquired With Grant		
Funds Which Reduce Contributed Capital	(74,144.00)	(74,144.00)
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>(35,488.67)</b>	<b>(50,033.26)</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>2,289,723.50</b>	<b>2,339,756.76</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 2,254,234.83</b>	<b>\$ 2,289,723.50</b>

The accompanying notes are an integral part of the financial statements.

**Port Hope-Gore-Rubicon Utility Authority**  
**STATEMENT OF CASH FLOWS**

**For the Years Ended**  
**March 31, 2007    March 31, 2006**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net Income (Loss)	\$ (35,488.67)	\$ (50,033.26)
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Adjustments to reconcile Net Income  
(Loss) to net Cash provided by  
(used in) operating activities  
Depreciation and Amortization

	115,382.13	115,441.13
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Decrease (Increase) in Operating Assets  
Accounts Receivable

	(5,922.40)	25,000.00
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Increase (Decrease) in Operating Liabilities  
Accounts Payable  
Accrued Liabilities

	4,398.43	(24,500.00)
	<u>7.91</u>	<u>208.19</u>

**Total Adjustments**

	<u>113,866.07</u>	<u>116,149.32</u>
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**Net Cash Provided By (Used in)  
Operating Activities**

	78,377.40	66,116.06
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**CASH FLOWS FROM INVESTING ACTIVITIES**

Capital Expenditures

	<u>0.00</u>	<u>(895.00)</u>
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**Net Cash Provided By (Used In)  
Investing Activities**

	0.00	(895.00)
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**CASH FLOWS FROM FINANCING ACTIVITIES**

Revenue Bond Repayments

	<u>(24,000.00)</u>	<u>(23,000.00)</u>
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**Net Cash Provided By (Used In)  
Financing Activities**

	<u>(24,000.00)</u>	<u>(23,000.00)</u>
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**NET INCREASE (DECREASE) IN CASH  
AND CASH EQUIVALENTS**

	54,377.40	42,221.06
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**CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD**

	<u>350,740.11</u>	<u>308,519.05</u>
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**CASH AND CASH EQUIVALENTS AT END OF PERIOD**

	<u>\$ 405,117.51</u>	<u>\$ 350,740.11</u>
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The accompanying notes are an integral part of the financial statements.

# **Port Hope-Gore-Rubicon Utility Authority**

## **Notes to Financial Statements**

**March 31, 2007**

### **Note 1 - Summary of Significant Accounting Policies:**

The accounting policies of the Local Governmental Unit conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Local Governmental Unit:

#### **A. Organization**

The Authority was created in 1990 under Public Act 233 of 1955 and began operations in August 1994. Its Purpose is to provide a water supply system for the residents and property owners of the constituent units, which include the Village of Port Hope and Townships of Gore and Rubicon. The Authority is governed by a nine-person Board appointed by the constituent municipalities each serving a term of three years.

#### **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non fiduciary activities of the primary government and its component units. For the most part, the effect of inter fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### **Governmental Funds**

Governmental funds are those funds through which most governmental functions typically are financed. The acquisition, use and balances of the government's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The Government reports the following major governmental fund:

The Enterprise fund is the Government's primary operating fund. It accounts for all financial resources of the Government, except those required to be accounted for in another fund.

# **Port Hope-Gore-Rubicon Utility Authority**

## **Notes to Financial Statements**

**March 31, 2007**

### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets. Fund equity (i.e., net total assets) is segregated into invested in capital assets (net of related debt), restricted and unrestricted components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The proprietary funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and the expenses are recognized when they are incurred, regardless of the timing of related cash flows.

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Proprietary funds distinguish operating revenue and expenses from non operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with and proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

### **D. Assets, Liabilities, and Net Assets or Equity**

#### **Bank Deposits and Investments**

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

# **Port Hope-Gore-Rubicon Utility Authority**

## **Notes to Financial Statements**

**March 31, 2007**

### **Receivables and Payable's**

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

### **Inventories and Prepaid Items**

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect cost applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

### **Restricted Assets**

The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at the county being held for the construction or debt service of the Local Unit of Government's water and sewer lines.

### **Capital Assets**

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment is depreciated using the straight-line method over its' estimated useful life.

# **Port Hope-Gore-Rubicon Utility Authority**

## **Notes to Financial Statements**

**March 31, 2007**

### **Compensated Absences (Vacation and Sick Leave)**

It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

### **Long-Term Obligations**

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

### **Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### **Note 2 - Stewardship, Compliance, and Accountability:**

#### **Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and State law for all Government Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Government to have its budget in place by the beginning of its fiscal year. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits governments to amend their budgets during the year. During the year, the budget was amended in a permissible manner. There were no significant amendments during the year.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

# Port Hope-Gore-Rubicon Utility Authority

## Notes to Financial Statements

March 31, 2007

### Excess of Expenditures Over Appropriations in Budgeted Funds

The State's Budget act does not require a formal budget to be adopted for enterprise funds. However, due to contractual agreements between the communities an annual budget is adopted and amended during the year.

### Note 3 - Deposits and Investments:

#### Deposits

The Government's cash accounts consist of various interest bearing checking and savings accounts. At year-end, the carrying amount of the Government's deposits was \$152,448.72 and the bank balance was \$152,448.72.

#### Investments

State statutes authorize the Government to invest in obligations of the U.S. Treasury and U.S. agencies, deposit agreements with federally insured financial institutions with the State of Michigan, high grade commercial paper, repurchased obligations of the U.S. government and U.S. agencies, banker's acceptances of U.S. banks and mutual funds comprises of the above authorized investments. As of March 31, 2007, the Government investments consisted of certificates of deposit and Money Market Funds which the carrying amount and the bank balance was \$252,668.79.

The total Government cash and investments amounted to \$405,117.51 as of March 31, 2007 and \$295,643.76 was covered by Federal Depository Insurance.

### Note 4 - Long-Term Debt:

The following is a summary of changes in long-term debt for the year ended March 31, 2007.

	Balance <u>4/01/06</u>	Additions <u>(Retirements)</u>	Balance <u>3/31/07</u>
\$1,272,000 1993 Water Supply System Revenue Bonds, due in annual installments of \$11,000 to \$81,000 plus interest semi-annually at a rate of 5.25% through March 1, 2033	<u>1,146,000</u>	<u>(18,000)</u>	<u>1,128,000</u>
\$360,000 2004 Water Supply System Revenue Bonds, due in annual installments of \$6,000 to \$12,000 plus interest semi-annually at a rate of 4.375% through April 1, 2035	<u>354,000</u>	<u>(6,000)</u>	<u>348,000</u>

# Port Hope-Gore-Rubicon Utility Authority

## Notes to Financial Statements

March 31, 2007

The annual principal and interest requirements are as follows as of March 31:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	30,000	75,390	105,390
2009	31,000	73,920	104,920
2010	32,000	73,343	105,343
2011	34,000	63,604	97,604
Thereafter	<u>1,349,000</u>	<u>910,110</u>	<u>2,259,110</u>
	1,476,000	1,196,367	2,672,367

The bond ordinance requires the Authority to establish cash reserves to fund future bond principal and interest payments. Contribution requirements vary in amount until a reserve of \$82,000 has been accumulated. As of March 31, 2007 the Authority has accumulated this amount.

### Note 5 - Contributed Capital:

Changes in contributed capital for the year ended March 31, 2007 are as follows:

Contributed Capital - Beginning of Year	\$2,102,765.06
Less Depreciation Attributed to	
Contributed Capital	<u>\$ (74,144.00)</u>
Contributed Capital - End of Year	\$2,028,621.06

### Note 6 - Employee Retirement and Benefits Systems:

The Authority does not provide for Retirement Benefits for its employees.



**George Zahul, CPA, PC**

101 N Port Crescent St  
Bad Axe, MI 48413

June 22, 2007

To the Authority Members  
Port Hope-Gore-Rubicon Utility Authority  
Port Hope, MI 48468

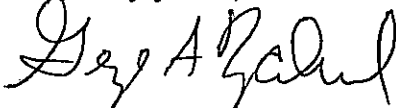
The following comments related to situations that came to my attention during the course of my recent examination of the Port Hope-Gore-Rubicon Utility Authority's financial statements as of and for the year ended March 31, 2007, and are submitted for your evaluation and consideration. I would like to emphasize that, since my examination was conducted for the purpose of expressing an opinion on the previously referred to financial statements, these comments are not necessarily all inclusive.

1. No situations came to my attention during the course of the audit.

If you would need assistance in implementing the above, I would be happy to assist you.

I want to take this opportunity to thank the Board for selecting me to do your audit, and I want to thank the Village Officials for their help and assistance during the audit.

Very truly yours,



George A. Zahul, PC  
Certified Public Accountant